

**HAMPTON-DUMONT
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

John Showalter	President	2008
Ryan Winters	Vice President	2009
Scott Sackville		2007
Ron Raney		2008
Verla Pecha		2009
Kristin Wraage		2007
Stacy Miller		2007

(After September, 2007 Election)

John Showalter	President	2008
Ryan Winters	Vice President	2009
Scott Sackville		2011
Ron Raney		2008
Verla Pecha		2009
Kristin Wraage		2011
Stacy Miller		2011

School Officials

Todd Lettow	Superintendent
Lisa Lewis	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Hampton-Dumont Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District, Hampton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Hampton-Dumont Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2009 on our consideration of Hampton-Dumont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 37 through 38 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hampton-Dumont Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Hampton-Dumont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,050,472 in fiscal 2007 to \$10,444,011 in fiscal 2008, while General Fund expenditures increased from \$10,156,387 in fiscal 2007 to \$10,510,424 in fiscal 2008.
- The increase in General Fund revenues was primarily attributable to increased state sourced revenues. The increase in expenditures was primarily due to salary increases.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Hampton-Dumont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Hampton-Dumont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Hampton-Dumont Community School District acts solely as agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Hampton-Dumont Community School District Annual Financial Report

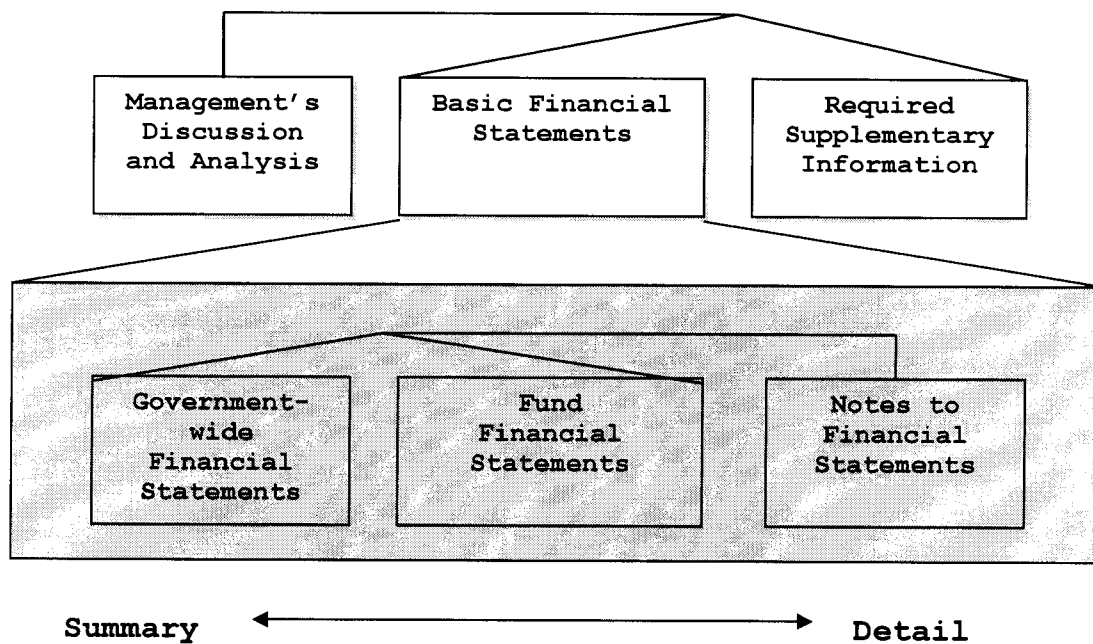


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 10,380	9,895	153	161	10,533	10,056	4.74%
Capital assets	12,312	12,505	56	43	12,368	12,548	-1.43%
Total assets	22,692	22,400	209	204	22,901	22,604	1.31%
Current liabilities	8,947	8,714	-	-	8,947	8,714	2.67%
Non-current liabilities	9,019	9,240	-	-	9,019	9,240	-2.39%
Total liabilities	17,966	17,954	-	-	17,966	17,954	0.07%
Net Assets							
Invested in capital assets, net of related debt	3,607	3,290	56	43	3,663	3,333	9.90%
Restricted	1,410	1,423	-	-	1,410	1,423	-0.91%
Unrestricted	(291)	(267)	153	161	(138)	(106)	30.19%
Total net assets	\$ 4,726	4,446	209	204	4,935	4,650	6.13%

The District's combined net assets increased by over 6%, or approximately \$286,000 over the prior year. This was primarily due to an increase in the Capital Projects Fund and capital asset purchases.

Unrestricted net assets - the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$32,000.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 346	280	260	226	606	506	19.76%
Operating grants, contributions and restricted interest	2,217	1,785	306	287	2,523	2,072	21.77%
General revenues:							
Property and income surtaxes	4,602	4,442	-	-	4,602	4,442	3.60%
Income surtax	168	79			168	79	112.66%
Local option sales tax	839	694	-	-	839	694	20.89%
Unrestricted state grants	4,896	4,962	-	-	4,896	4,962	-1.33%
Unrestricted investment earnings	46	134	-	-	46	134	-65.67%
Other	111	67	-	-	111	67	-65.67%
Total revenues	13,225	12,443	566	513	13,791	12,956	6.44%
Program expenses:							
Governmental activities:							
Instruction	7,597	6,845	-	-	7,597	6,845	10.99%
Support Services	3,172	3,469	-	-	3,172	3,469	-8.56%
Non-instructional programs	-	-	561	479	561	479	17.12%
Other expenses	2,175	1,528	-	-	2,175	1,528	42.34%
Total expenses	12,944	11,842	561	479	13,505	12,321	9.61%
Change in net assets	\$ 281	601	5	34	286	635	-54.96%

Property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 80% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$13,225,341 and expenses were \$12,943,945.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
2008	2007	Change 2007-08	2008	2007	Change 2007-08	
Instruction	\$ 7,597	6,845	10.99%	5,672	5,243	8.18%
Support Services	3,172	3,469	-8.56%	3,094	3,447	-10.24%
Other expenses	<u>2,175</u>	<u>1,528</u>	<u>42.34%</u>	<u>1,615</u>	<u>1,087</u>	<u>48.57%</u>
Totals	<u>\$ 12,944</u>	<u>11,842</u>	<u>9.31%</u>	<u>10,381</u>	<u>9,777</u>	<u>6.18%</u>

- The cost financed by users of the District's programs was \$345,902.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,103,467.
- The net cost of governmental activities was financed with \$4,601,803 in property taxes and \$4,896,411 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$565,297 and expenses were \$560,563. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Hampton-Dumont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,066,351, a six percent decrease from last year's ending fund balance of \$1,140,143.

Governmental Fund Highlights

- The District's General Fund financial position decreased during the past year. Allowable growth of 4% is inadequate to afford regular salary increases as well as increased costs for other items.
- Franklin County instituted the 1% school infrastructure local option sales tax. The District started collecting these monies in March, 2004. These monies are being used for infrastructure projects and/or debt reduction.

Proprietary Fund Highlights

The School Nutrition Fund balance increased approximately \$5,000 during the fiscal year ending June 30, 2008. This was a result of good participation and careful monitoring of expenses.

BUDGETARY HIGHLIGHTS

The District's receipts were \$943,000 higher than budgeted receipts. This variance resulted from the District receiving larger than expected miscellaneous revenues.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested over \$12.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$381,609.

The original cost of the District's capital assets was \$16,146,264. Governmental funds account for \$16,057,265, with the remainder of \$88,999 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 209	209	-	-	209	209	0.00%
Buildings	11,714	11,994	-	-	11,714	11,994	-2.33%
Furniture and equipment	389	302	56	43	445	345	28.99%
Totals	<u>\$ 12,312</u>	<u>12,505</u>	<u>56</u>	<u>43</u>	<u>12,368</u>	<u>12,548</u>	<u>-1.43%</u>

Long-term Debt

The District has \$7,180,000 of general obligation bonds outstanding at the end of the current fiscal year.

The District has outstanding revenue bonds of \$1,525,000 for additions/renovations to the elementary buildings.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 7,180	7,490	-4.14%
Revenue bonds	1,525	1,725	-11.59%
Total	<u>\$ 8,705</u>	<u>9,215</u>	<u>-5.53%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The SILO tax was passed in 2003 and money began to be received by the District in March of 2004. Parts of these funds are being used for debt reduction resulting in property tax relief for the taxpayers.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.
- Allowable growth of 4% is inadequate for the District to adequately maintain all of its educational programs, let alone expand offerings.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Lewis, District Secretary/Treasurer, Hampton-Dumont Community School District, PO Box 336, Hampton, Iowa 50441.

Basic Financial Statements

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,589,590	143,973	1,733,563
ISCAP investments	3,296,688	-	3,296,688
Receivables:			
Property tax:			
Current year	76,673	-	76,673
Succeeding year	4,732,970	-	4,732,970
Income surtax	120,336	-	120,336
Due from other governments	409,202	-	409,202
ISCAP accrued interest	16,875	-	16,875
Other receivables	136,732	-	136,732
Inventories	-	9,385	9,385
Capital assets, net of accumulated depreciation (note 3)	12,312,481	55,500	12,367,981
Total assets	<u>22,691,547</u>	<u>208,858</u>	<u>22,900,405</u>
Liabilities			
Accounts payable	826,710	-	826,710
Accrued salary and benefits	19,901	-	19,901
Accrued interest payable	28,039	-	28,039
ISCAP unamortized premium	41,829	-	41,829
ISCAP warrants payable	3,276,000	-	3,276,000
ISCAP accrued interest payable	20,616	-	20,616
Deferred revenue:			
Succeeding year property tax	4,732,970	-	4,732,970
Long term liabilities:			
Portion due within one year:			
Early retirement	70,000	-	70,000
Revenue bonds payable	205,000	-	205,000
General obligation bonds payable	325,000	-	325,000
Portion due after one year:			
Early retirement	243,656	-	243,656
Revenue bonds payable	1,320,000	-	1,320,000
General obligation bonds payable	6,855,000	-	6,855,000
Total liabilities	<u>17,964,721</u>	<u>-</u>	<u>17,964,721</u>
Net assets			
Invested in capital assets, net of related debt	3,607,481	55,500	3,662,981
Restricted for:			
Management levy	326,725	-	326,725
Capital projects	446,455	-	446,455
Debt service	637,309	-	637,309
Unrestricted	(291,144)	153,358	(137,786)
Total net assets	<u>\$ 4,726,826</u>	<u>208,858</u>	<u>4,935,684</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 7,597,138	337,223	1,588,139	(5,671,776)	-	(5,671,776)
Support services:						
Student services	318,331	-	-	(318,331)	-	(318,331)
Instructional staff services	588,486	-	-	(588,486)	-	(588,486)
Administration services	895,293	-	-	(895,293)	-	(895,293)
Operation and maintenance of plant services	976,448	-	69,882	(906,566)	-	(906,566)
Transportation services	393,684	8,679	-	(385,005)	-	(385,005)
	<u>3,172,242</u>	<u>8,679</u>	<u>69,882</u>	<u>(3,093,681)</u>	<u>-</u>	<u>(3,093,681)</u>
Other expenditures:						
Long term debt:						
Interest	350,082	-	29,040	(321,042)	-	(321,042)
Services	800	-	-	(800)	-	(800)
Facilities acquisition and construction	1,034,106	-	115,068	(919,038)	-	(919,038)
AEA flowthrough	415,018	-	415,018	-	-	-
Depreciation (unallocated)*	374,559	-	-	(374,559)	-	(374,559)
	<u>2,174,565</u>	<u>-</u>	<u>559,126</u>	<u>(1,615,439)</u>	<u>-</u>	<u>(1,615,439)</u>
Total governmental activities	12,943,945	345,902	2,217,147	(10,380,896)	-	(10,380,896)

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition services	560,563	259,519	305,778	4,734
Total	\$ 13,504,508	605,421	2,522,925	(10,376,162)
General Revenues:				
Property tax levied for:				
General purposes				3,427,785
Management fund				299,801
Capital outlay				267,771
Debt service				606,446
Income surtax				168,368
Local option sales tax				838,814
Unrestricted state grants				4,896,411
Unrestricted investment earnings				45,848
Other				111,048
Total general revenues			10,662,292	10,662,292
Change in net assets			281,396	286,130
Net assets beginning of year			4,445,430	4,649,554
Net assets end of year			\$ 4,726,826	4,935,684

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets						
Cash and pooled investments	\$ 243,554	322,375	627,261	38,653	63,493	1,295,336
ISCAP investments	3,296,688	-	-	-	-	3,296,688
Receivables:						
Property tax:						
Current year	57,186	5,002	10,048	-	4,437	76,673
Succeeding year	3,631,874	210,000	613,400	-	277,696	4,732,970
Income surtax	120,336	-	-	-	-	120,336
Due from other governments	-	-	-	409,202	-	409,202
ISCAP accrued interest	16,875	-	-	-	-	16,875
Other receivables	136,423	-	-	-	309	136,732
Total assets	\$ 7,502,936	537,377	1,250,709	447,855	345,935	10,084,812

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 812,975	652	-	1,400	11,683	826,710
ISCAP unamortized premium	41,829	-	-	-	-	41,829
ISCAP warrants payable	3,276,000	-	-	-	-	3,276,000
ISCAP accrued interest payable	20,616	-	-	-	-	20,616
Deferred revenue:						
Succeeding year property tax	3,631,874	210,000	613,400	-	277,696	4,732,970
Income surtax	120,336	-	-	-	-	120,336
Total liabilities	<u>7,903,630</u>	<u>210,652</u>	<u>613,400</u>	<u>1,400</u>	<u>289,379</u>	<u>9,018,461</u>
Fund balances:						
Reserved for capital projects	-	-	-	446,455	-	446,455
Reserved for debt service	-	-	637,309	-	-	637,309
Unreserved fund balance	(400,694)	326,725	-	-	56,556	(17,413)
Total fund balances	<u>(400,694)</u>	<u>326,725</u>	<u>637,309</u>	<u>446,455</u>	<u>56,556</u>	<u>1,066,351</u>
Total liabilities and fund balances	<u>\$ 7,502,936</u>	<u>537,377</u>	<u>1,250,709</u>	<u>447,855</u>	<u>345,935</u>	<u>10,084,812</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 1,066,351
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	120,336
Internal Service fund assets that are to be included with governmental funds.	274,353
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	12,312,481
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(28,039)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(9,018,656)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 4,726,826</u></u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Nonmajor	Total
Revenues:						
Local sources:						
Local tax	\$ 3,545,323	299,801	606,446	838,814	267,771	5,558,155
Tuition	310,974	-	-	-	-	310,974
Other	213,199	28,852	29,040	115,068	504,327	890,486
State sources	6,049,643	-	-	-	-	6,049,643
Federal sources	324,872	-	-	-	40,381	365,253
Total revenues	10,444,011	328,653	635,486	953,882	812,479	13,174,511
Expenditures:						
Instruction:	7,065,006	15,337	-	-	502,582	7,582,925
Support services:						
Student services	318,331	-	-	-	-	318,331
Instructional staff services	588,486	-	-	-	-	588,486
Administration services	895,293	-	-	-	-	895,293
Operation and maintenance of plant services	834,606	141,842	-	-	-	976,448
Transportation services	393,684	-	-	-	78,942	472,626
	3,030,400	141,842	-	-	78,942	3,251,184
Other expenditures:						
Long-term debt:						
Principal	-	-	510,000	-	-	510,000
Interest	-	-	351,320	-	-	351,320
Services	-	-	800	-	-	800
Facilities acquisition and construction	-	-	-	936,013	201,043	1,137,056
AEA flowthrough	415,018	-	-	-	-	415,018
	415,018	-	862,120	936,013	201,043	2,414,194
Total expenditures	10,510,424	157,179	862,120	936,013	782,567	13,248,303

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Management Levy	Debt Service	Capital Projects	Non-major	Total
Excess (deficiency) of revenues over (under) expenditures	(66,413)	171,474	(226,634)	17,869	29,912	(73,792)
Other financing sources (uses):						
Operating transfers in	-	-	244,006	-	-	244,006
Operating transfers out	-	-	-	(244,006)	-	(244,006)
	-	-	244,006	(244,006)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(66,413)	171,474	17,372	(226,137)	29,912	(73,792)
Fund balances beginning of year	(334,281)	155,251	619,937	672,592	26,644	1,140,143
Fund balances end of year	\$ (400,694)	326,725	637,309	446,455	56,556	1,066,351

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E)		\$ (73,792)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities		50,830
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 181,892	
Depreciation expense	<u>(374,559)</u>	(192,667)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		1,238
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year repayments are as follows:		
Repaid	<u>510,000</u>	510,000
Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures.		274,353
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Early retirement additions	(303,903)	
Early retirement payments	<u>15,337</u>	<u>(288,566)</u>
Change in net assets of governmental activities (Exhibit B)		\$ <u>281,396</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 143,973	294,254
Inventories	9,385	-
Capital assets, net of accumulated depreciation	55,500	-
Total assets	<u>208,858</u>	<u>294,254</u>
Liabilities		
Accrued salary and benefits	-	19,901
Total liabilities	<u>-</u>	<u>19,901</u>
Net Assets		
Invested in capital assets, net of related debt	55,500	-
Unrestricted	153,358	274,353
Total net assets	<u>\$ 208,858</u>	<u>274,353</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 259,519	1,295,657
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	228,632	-
Benefits	38,678	-
Services	10,662	-
Supplies	275,541	-
Depreciation	7,050	-
	560,563	-
Internal service programs:		
Benefits	-	1,024,152
Total operating expenses	560,563	1,024,152
Operating profit (loss)	(301,044)	271,505
Non-operating revenues:		
Local sources	1,105	2,848
State sources	17,682	-
Federal sources	286,991	-
	305,778	2,848
Net change in assets	4,734	274,353
Net assets beginning of year	204,124	-
Net assets end of year	\$ 208,858	274,353

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	<u>Enterprise</u>	<u>Internal</u>
	<u>School</u>	<u>Service</u>
	<u>Nutrition</u>	<u>Health</u>
		<u>Insurance</u>
Cash flows from operating activities:		
Cash received from sale of services	\$ 259,519	1,295,657
Cash payments to employees for services	(267,310)	(1,045,550)
Cash payments to suppliers for goods or services	(245,919)	-
Net cash provided by (used in) operating activities	<u>(253,710)</u>	<u>250,107</u>
Cash flows from non-capital financing activities:		
State grants received	17,682	-
Federal grants received	248,115	-
Net cash provided by non-capital financing activities	<u>265,797</u>	<u>-</u>
Cash flows from capital financing activities:		
Acquisition of capital assets	<u>(19,083)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>1,105</u>	<u>2,848</u>
Net increase (decrease) in cash and cash equivalents	(5,891)	252,955
Cash and cash equivalents beginning of year	<u>149,864</u>	<u>41,299</u>
Cash and cash equivalents end of year	<u>\$ 143,973</u>	<u>294,254</u>
Reconciliation of operating income (loss) to net cash		
used in operating activities:		
Operating income (loss)	\$ (301,044)	271,505
Adjustments to reconcile operating profit (loss) to net cash		
provided by (used in) operating activities:		
Depreciation	7,050	-
Commodities used	38,876	-
Decrease in inventory	1,408	
(Decrease) in accrued salary benefits	<u>-</u>	<u>(128,967)</u>
	<u>(253,710)</u>	<u>142,538</u>
Reconciliation of cash and cash equivalents at year end to		
specific assets included on Combined Balance Sheet:		
Current assets:		
Cash	<u>\$ 143,973</u>	<u>294,254</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$38,876.
See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts	Agency Funds
Assets		
Cash and pooled investments	\$ 155,692	804
Liabilities		
Other payables	-	804
Net Assets		
Reserved for special purposes	<u>\$ 155,692</u>	<u>-</u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts
	<u> </u>
Additions:	
Local sources:	
Contributions	\$ 11,648
Interest on investments	<u>14,331</u>
Total additions	<u>25,979</u>
 Deductions:	
Instruction:	
Other	<u>156,261</u>
Total deductions	<u>156,261</u>
 Change in net assets	 (130,282)
 Net assets beginning of year	 <u>285,974</u>
 Net assets end of year	 <u><u>\$ 155,692</u></u>

See notes to financial statements.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Hampton-Dumont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Hampton and Dumont, Iowa, and agricultural territory in Franklin and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Hampton-Dumont Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Hampton-Dumont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Franklin and Butler Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operation fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional program function.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$452,464</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 208,800	-	-	208,800
Capital assets being depreciated:				
Buildings	14,412,890	-	-	14,412,890
Furniture and Equipment	1,253,683	181,892	-	1,435,575
Total capital assets being depreciated	15,666,573	181,892	-	15,848,465
Less accumulated depreciation for:				
Buildings	2,417,923	281,261	-	2,699,184
Furniture and Equipment	952,302	93,298	-	1,045,600
Total accumulated depreciation	3,370,225	374,559	-	3,744,784
Total capital assets being depreciated, net	12,296,348	(192,667)	-	12,103,681
Governmental activities, capital assets, net	\$ 12,505,148	(192,667)	-	12,312,481
Business type activities:				
Furniture and equipment	\$ 75,003	26,483	12,487	88,999
Less accumulated depreciation	31,536	7,050	5,087	33,499
Business type activities capital assets, net	\$ 43,467	19,433	7,400	55,500

Depreciation expense was charged to the following functions:

Governmental activities:	
Support services:	
Unallocated	\$ 374,559
Business Type activities:	
Food service operations	\$ 7,050

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	General Obligation Bond	Revenue Bonds	Early Retirement Payable	Total
Balance beginning of year	\$7,490,000	1,725,000	25,090	9,240,090
Additions	-	-	303,903	303,903
Reductions	310,000	200,000	15,337	525,337
Balance end of year	\$7,180,000	1,525,000	313,656	8,918,656

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ending June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$397,331, \$361,848, and \$342,102 respectively, equal to the required contributions for each year.

(6) Risk Management

Hampton-Dumont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District is currently only self-funding \$1,500 of each employee's deductible. The District previously self-insured its health care plan with coverage only for excess losses. All claims from that plan have been paid. The Self-Insurance Fund is funded by the General Fund to the extent of its possible liability. Any funds remaining are deemed to be liabilities to cover any claims the District may receive after the end of the fiscal year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$415,018 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement Payable

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which must be approved by the Board of Education. The early retirement incentive for each eligible employee is based on length of service to the District. Early retirement benefits paid during the year ended June 30, 2008, totaled \$15,337. A long-term liability has been recorded on the Statement of Net Assets (Exhibit A) representing the District's commitment to fund early retirement.

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2007-08A	6/27/07	6/27/08	\$ -	-	-	-	-
2007-08B	1/23/08	1/23/09	1,220,907	16,088	1,217,000	19,826	6,517
2008-09A	6/25/08	6/25/09	2,075,781	787	2,059,000	790	35,312
Total			<u>\$3,296,688</u>	<u>16,875</u>	<u>3,276,000</u>	<u>20,616</u>	<u>41,829</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ -	1,000,000	1,000,000	-
2007-08B	-	250,000	250,000	-
	<u>\$ -</u>	<u>1,250,000</u>	<u>1,250,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(10) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$244,006</u>

(11) Financial Condition

The General Fund had a deficit fund balance of \$400,694 at June 30, 2008.

(12) General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2005			
	Rates	Interest	Principal	Total
2009	3.125%	\$ 286,858	325,000	611,858
2010	3.250	276,295	335,000	611,295
2011	3.375	264,989	350,000	614,989
2012	3.500	252,739	365,000	617,739
2013	3.625	239,508	380,000	619,508
2014-2018	3.750-4.000	960,089	2,165,000	3,125,087
2019-2023	4.000-4.300	484,572	2,655,000	3,139,572
2024	4.400-4.500	<u>26,922</u>	<u>605,000</u>	<u>631,922</u>
Total		<u>\$2,791,970</u>	<u>7,180,000</u>	<u>9,971,970</u>

(13) Revenue Bonds Payable

Details of the District's June 30, 2008 local option sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2004			
	Rates	Interest	Principal	Total
2009	2.70%	\$ 49,608	205,000	254,608
2010	3.00	43,690	210,000	253,690
2011	3.30	36,910	220,000	256,910
2012	3.50	29,342	225,000	254,342
2013	3.70	21,058	235,000	256,058
2014	3.80	12,055	245,000	257,055
2015	4.00	<u>3,700</u>	<u>185,000</u>	<u>188,700</u>
Total		<u>\$196,363</u>	<u>1,525,000</u>	<u>1,721,363</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$225,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance in that account at June 30, 2008 was \$247,411.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account. The balance in that account at June 30, 2008 was \$247,111.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

(14) Contingencies

The District currently is involved in a civil suit regarding a school employee and student. Legal counsel has advised us that no probable outcome can be determined at this time, however, existing insurance coverage should be adequate to cover any liability on the part of the District. As no financial liability can be determined at the current time, no amounts have been included in the financial statements.

Required Supplementary Information

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 6,759,615	260,624	7,020,239	6,164,501	6,164,501	855,738
State sources	6,049,643	17,682	6,067,325	6,031,999	6,031,999	35,326
Federal sources	365,253	286,991	652,244	600,000	600,000	52,244
Total revenues	<u>13,174,511</u>	<u>565,297</u>	<u>13,739,808</u>	<u>12,796,500</u>	<u>12,796,500</u>	<u>943,308</u>
Expenditures						
Instruction	7,582,925	-	7,582,925	7,600,000	7,600,000	17,075
Support services	3,251,184	-	3,251,184	3,546,007	3,546,007	294,823
Non-instructional programs	-	560,563	560,563	500,000	500,000	(60,563)
Other expenditures	2,414,194	-	2,414,194	2,682,977	2,682,977	268,783
Total expenditures	<u>13,248,303</u>	<u>560,563</u>	<u>13,808,866</u>	<u>14,328,984</u>	<u>14,328,984</u>	<u>520,118</u>
Excess (deficiency) of revenues over (under) expenditures	(73,792)	4,734	(69,058)	(1,532,484)	(1,532,484)	1,463,426
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(73,792)	4,734	(69,058)	(1,532,484)	(1,532,484)	1,463,426
Balance beginning of year	1,140,143	204,124	1,344,267	2,110,526	2,110,526	(766,259)
Balance end of year	<u>\$ 1,066,351</u>	<u>208,858</u>	<u>1,275,209</u>	<u>578,042</u>	<u>578,042</u>	<u>697,167</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures exceeded the amounts budgeted in the non-instructional programs function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2008

	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 58,664	4,829	63,493
Property tax receivable:			
Current year	-	4,437	4,437
Succeeding year	-	277,696	277,696
Other receivables	309	-	309
Total assets	<u>\$ 58,973</u>	<u>286,962</u>	<u>345,935</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$ 8,002	3,681	11,683
Deferred revenue:			
Succeeding year property tax	-	277,696	277,696
Total liabilities	8,002	281,377	289,379
Fund balance:			
Unreserved fund balance	50,971	5,585	56,556
Total liabilities and fund balances	<u>\$ 58,973</u>	<u>286,962</u>	<u>345,935</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2008

	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	267,771	267,771
Other	503,678	649	504,327
Federal	-	40,381	40,381
Total revenues	<u>503,678</u>	<u>308,801</u>	<u>812,479</u>
Expenditures:			
Instruction:	502,582		502,582
Support services:			
Plant operation and maintenance	-	-	-
Student transportation	-	78,942	78,942
Other expenditures:			
Facilities acquisition and construction	-	201,043	201,043
Total expenditures	<u>502,582</u>	<u>279,985</u>	<u>782,567</u>
Excess of revenues over expenditures	1,096	28,816	29,912
Fund balances beginning of year	<u>49,875</u>	<u>(23,231)</u>	<u>26,644</u>
Balance end of year	<u>\$ 50,971</u>	<u>5,585</u>	<u>56,556</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Girls' Book Club	\$ -	430	-	430
Character Counts	71	1,997	1,872	196
Key Club	72	1,093	919	246
Art Club	4,386	-	-	4,386
Quiz Bowl	241	-	-	241
Video Productions	1,650	-	-	1,650
Cheerleading	1,675	4,978	5,573	1,080
DECA	27	7,011	5,516	1,522
Drama	3,995	215	207	4,003
FBL	353	1,763	1,487	629
FCA	741	785	902	624
FCCLA	1,585	1,382	937	2,030
FFA	9,784	73,668	77,161	6,291
French Club	4,394	-	-	4,394
Future Teachers	1,345	554	11	1,888
International Club	449	927	839	537
Mock Trial	193	584	421	356
Model UN	273	-	-	273
SADD	2,823	211	49	2,985
Student Council	1,357	2,474	2,551	1,280
Quarterback Club	-	170	170	-
Drill Team	239	500	216	523
JAG Club	15	-	15	-
Bark	-	75	-	75
Dramatics - Plays & Musicals	(195)	1,479	196	1,088
Music - Instrumental	(2,049)	9,465	11,323	(3,907)
Music - Vocal	(2,547)	1,156	2,431	(3,822)
Speech	20	584	332	272
Publications	(1,876)	12,762	12,443	(1,557)
Special Instrumental Fund	5,903	2,000	3,015	4,888
Special Vocal Fund	576	661	696	541
Special Instrumental - Uniforms	1,099	-	823	276
Special Vocal - Uniforms	348	-	-	348
Special Vocal - NY Trip	399	49,056	49,455	-
Class of 2009	3,966	3,005	5,567	1,404
Class of 2010	4,809	-	-	4,809
Class of 2007	2,176	-	2,176	-
Class of 2011	-	9,965	5,617	4,348
Class of 2008	2,755	3,310	5,086	979
Activity Fund Change	1,108	58,833	59,941	-
Cross Country	(59)	985	1,429	(503)
Basketball - Boys	(626)	14,107	11,778	1,703
Football	5,039	41,975	39,232	7,782
Baseball	(4,839)	8,114	8,294	(5,019)
Track - Boys	1,853	1,482	4,492	(1,157)
Golf - Boys	(1,518)	1,050	613	(1,081)
Wrestling	(3,306)	14,723	10,716	701

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Basketball - Girls	402	9,698	9,515	585
Volleyball	110	11,607	14,376	(2,659)
Softball	(4,199)	4,550	3,447	(3,096)
Track - Girls	977	2,103	4,576	(1,496)
Golf - Girls	(648)	592	231	(287)
Activity Tickets	8,039	129,149	119,858	17,330
Student Pay Phone	(342)	-	(342)	-
Middle School Activities	724	12,141	12,580	285
Jazz Band Club	270	-	-	270
June 30, 2008 Accruals	(4,162)	309	3,840	(7,693)
	<u>\$ 49,875</u>	<u>503,678</u>	<u>502,582</u>	<u>50,971</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2008

	Bess Robinson Scholarship	Hampton Quarterback Club	Varrelman Memorial Fund	Arndorfer Memorial	Barton Hoxie Robinson Scholarship	Robert Davies Scholarship	Dale Hayes Memorial Golf	Maribel Kratochvil Memorial	Ann J. Robinson Scholarship
Revenues:									
Local sources:									
Contributions	\$ -	-	-	-	-	-	-	-	-
Interest on investments	1,889	1	157	53	2,284	425	71	295	542
	<u>1,889</u>	<u>1</u>	<u>157</u>	<u>53</u>	<u>2,284</u>	<u>425</u>	<u>71</u>	<u>295</u>	<u>542</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	56,297	5,663	4,699	2,578	57,646	500	50	300	13,997
	<u>56,297</u>	<u>5,663</u>	<u>4,699</u>	<u>2,578</u>	<u>57,646</u>	<u>500</u>	<u>50</u>	<u>300</u>	<u>13,997</u>
Excess (deficiency) of revenues over (under) expenditures	(54,408)	(5,662)	(4,542)	(2,525)	(55,362)	(75)	21	(5)	(13,455)
Balance beginning of year	54,408	5,662	4,542	2,525	55,362	6,365	1,804	8,984	13,455
	<u>54,408</u>	<u>5,662</u>	<u>4,542</u>	<u>2,525</u>	<u>55,362</u>	<u>6,365</u>	<u>1,804</u>	<u>8,984</u>	<u>13,455</u>
Balance end of year	\$ -	-	-	-	-	6,290	1,825	8,979	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,290</u>	<u>1,825</u>	<u>8,979</u>	<u>-</u>

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2008

	Lucretia V. Rowen Scholarship	Saylor Memorial Business	Liebendorfer Scholarship	Peterson Trust	Captain Roy R Marken Scholarship	Students in Need	Special Education Needs	Red Ribbon	Total
Revenues:									
Local sources:									
Contributions	\$ -	265	10,250	-	-	1,133	-	-	11,648
Interest on investments	450	584	281	2,242	5,038	-	19	-	14,331
	<u>450</u>	<u>849</u>	<u>10,531</u>	<u>2,242</u>	<u>5,038</u>	<u>1,133</u>	<u>19</u>	<u>-</u>	<u>25,979</u>
Expenditures:									
Instruction:									
Regular instruction:									
Other	11,415	1,000	500	900	500	216	-	-	156,261
	<u>11,415</u>	<u>1,000</u>	<u>500</u>	<u>900</u>	<u>500</u>	<u>216</u>	<u>-</u>	<u>-</u>	<u>156,261</u>
Excess (deficiency) of revenues over (under) expenditures	(10,965)	(151)	10,031	1,342	4,538	917	19	-	(130,282)
Balance beginning of year	<u>10,965</u>	<u>12,206</u>	<u>-</u>	<u>30,994</u>	<u>73,803</u>	<u>664</u>	<u>4,199</u>	<u>36</u>	<u>285,974</u>
Balance end of year	<u>\$ -</u>	<u>12,055</u>	<u>10,031</u>	<u>32,336</u>	<u>78,341</u>	<u>1,581</u>	<u>4,218</u>	<u>36</u>	<u>155,692</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 5,558,155	5,212,791	4,891,927	4,132,199	4,891,927
Tuition	310,974	247,231	280,604	249,601	280,604
Other	890,486	779,212	494,212	1,023,487	494,212
State sources	6,049,643	5,892,259	5,450,579	5,190,228	5,450,579
Federal sources	365,253	309,272	539,351	281,425	539,351
Total	<u>\$13,174,511</u>	<u>12,440,765</u>	<u>11,656,673</u>	<u>10,876,940</u>	<u>11,656,673</u>
Expenditures:					
Instruction	\$ 7,582,925	7,065,695	6,997,408	5,911,398	6,997,408
Support services:					
Student	318,331	435,746	276,580	231,504	276,580
Instructional staff	588,486	574,654	554,673	537,013	554,673
Administration	895,293	992,143	840,642	696,654	840,642
Operation and maintenance of plant	976,448	996,419	908,120	818,084	908,120
Transportation	472,626	469,573	472,622	425,901	472,622
Other expenditures:					
Facilities acquisition	1,137,056	2,794,866	5,774,418	1,840,267	5,774,418
Debt service:					
Principal	510,000	620,891	420,876	120,819	420,876
Interest and service charges	351,320	374,007	488,742	60,321	488,742
AEA flowthrough	415,018	397,607	366,219	350,987	366,219
Total	<u>\$13,247,503</u>	<u>14,721,601</u>	<u>17,100,300</u>	<u>10,992,948</u>	<u>17,100,300</u>

See accompanying independent auditor's report.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY08	\$ 33,615
National School Lunch Program (non-cash)	10.550	FY08	38,876
National School Lunch Program	10.555	FY08	214,500
			<u>286,991</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	2781-G-08	227,968
Innovative Educational Program Strategies (Title V)	84.298	FY08	2,131
Improving Teacher Quality - Grants to States	84.367	FY08	48,522
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY08	5,086
Grants for Assessments and Related Activities	84.369	FY08	12,555
Iowa Demonstration Construction Grant	84.215K	FY08	40,382
Area Education Agency 267:			
Special Education - Grants to States (IDEA Part B)	84.027	FY08	<u>34,085</u>
Total			<u>\$ 657,720</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Hampton-Dumont Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Hampton-Dumont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Hampton-Dumont Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 4, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Hampton-Dumont Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Hampton-Dumont Community School District's financial statements that is more than inconsequential will not be prevented or detected by Hampton-Dumont Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Hampton-Dumont Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 08-II-A is a material weakness.

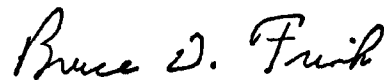
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hampton-Dumont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Hampton-Dumont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
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To the Board of Education of
Hampton-Dumont Community School District:

Compliance

We have audited the compliance of Hampton-Dumont Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Hampton-Dumont Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Hampton-Dumont Community School District's management. Our responsibility is to express an opinion on Hampton-Dumont Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hampton-Dumont Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hampton-Dumont Community School District's compliance with those requirements.

In our opinion Hampton-Dumont Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Hampton-Dumont Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Hampton-Dumont Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hampton-Dumont Community School District's internal control over compliance.

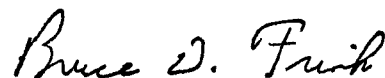
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a material weakness.

Hampton-Dumont Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Hampton-Dumont Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Hampton-Dumont Community School District and other parties to whom Hampton-Dumont Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 4, 2009

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A significant deficiency internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - CFDA Number 84.367 - Improving Teacher Quality - Grants to States
 - CFDA Number 84.027 - Special Education Grants to States
 - CFDA Number 84.215K - Iowa Demonstration Construction Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Hampton-Dumont Community School District did not qualify as a low-risk auditee.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

08-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

CFDA Number: 84.010 Title I Grants to Local Educational Agencies

Federal Award Year: 2008

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.367 Improving Teacher Quality - Grants to States

Federal Award Year: 2008

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.027 Special Education Grants to States

Federal Award Year: 2008

US Department of Education

Passed through Area Education Agency 267

CFDA Number: 84.215K Iowa Demonstration Construction Grant

Federal Award Year: 2008

US Department of Education

Passed through Iowa Department of Education

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings For Federal Awards:
(continued):

08-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

08-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-IV-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the amount budgeted in the non-instructional programs function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-IV-C Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

08-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.

08-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

HAMPTON-DUMONT COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

- 08-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 08-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 08-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- 08-IV-K Financial Condition - The District's General Fund Levy had a deficit balance of \$400,694 at June 30, 2008.

Recommendation - We recommend that the District take steps to bring the fund to a positive fund balance.

Response - We will comply with this recommendation.

Conclusion - Response accepted.